

1 OF 1

APPROVED FOR RELEASE: 2007/02/08: CIA-RDP82-00850R000200090054-1

FOR OFFICIAL USE ONLY

JPRS L/9168

30 June 1980

Korean Affairs Report

(FOUO 5/80)



FOREIGN BROADCAST INFORMATION SERVICE

FOR OFFICIAL USE ONLY

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

For further information on report content call (703) 351-3067 (Japan, Korea, Mongolia); 351-2760 (Vietnam, South and East Asia).

COPYRIGHT LAWS AND REGULATIONS GOVERNING OWNERSHIP OF MATERIALS REPRODUCED HEREIN REQUIRE THAT DISSEMINATION OF THIS PUBLICATION BE RESTRICTED FOR OFFICIAL USE ONLY.

FOR OFFICIAL USE ONLY

JPRS L/9168

30 June 1980

KOREAN AFFAIRS REPORT

(FOUO 5/80)

CONTENTS

SOUTH KOREA

POLITICS AND GOVERNMENT

Trial of Dissidents, Perception of Three Kim's Reported
(SEKAI, May 80) 1

ECONOMY

Dangerous Economic Signs Said to Threaten Government
(Yasuhiro Maeda; EKONOMISUTO, 15 Apr 80) 5

NORTH KOREA

FOREIGN TRADE

Briefs
Japan Exports Kraft Paper 15

- a -

[III - ASIA - 109 FOUO]

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

S. KOREA/POLITICS AND GOVERNMENT

TRIAL OF DISSIDENTS, PERCEPTION OF THREE KIM'S REPORTED

Tokyo SEKAI in Japanese May 80 pp 225-244

[Article by T.K.: "Spring in Seoul--News from ROK"]

[Excerpts] The Namminjon (South Korean People's Front) Incident, and the Three Kim's

The trial of so-called "The Preparatory Committee of South Korean People's Liberation Front Incident" is now underway without being made completely public. Seventy-three people were indicted and 70 of them are under arrest. It seems that five completely unrelated groups are connected with the incident and they have even connected people who are unrelated. Most of them are people who have fought the battle for democratization, and again as usual they have tied them to communism. On 26 December, all the members were indicted and the first public trial was opened on 4 February.

According to a statement of their families, we can truly find out the kind of brutality found in South Korea just like the time of the Pak regime even though [the government] says it aims for democracy. Their families could not know their whereabouts for more than a month after they were arrested. And it is thought that an illegal search of their houses occurred, and the families were watched, taken in by the police and given the third degree [torture]. After more than 2 and a half months had passed, the approach of a lawyer was finally authorized. Meetings with family have been completely rejected up until now over 5 months later. The public trial opened 4 February, 100 days after the arrests. As for the tickets of admission, the name of the attendee was written on each, and only one ticket per family was given. In the court the families were shocked to see "people whose legs were broken or who could not move at all because their spines were damaged and were in plaster casts, people who dragged their legs, were in plaster casts, people who dragged their legs, and people who could not rise from their stretchers."

Moreover even with injury to their spines, they could not receive medical treatment. Because of that, they wrote and passed around a petition, but did not even get any attention. Not only that, the families were investigated by being asked such questions as who signed the petition, etc. There was even a passage like this in the long petition.

1

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

"As for the mothers of those held who fainted when they learned their sons were Reds, when they saw their sons carried in on stretchers, wailing, they fainted again. Even the jailers and combat police who saw this were moved to tears."

It became clear in the court that they wrote their statements according to orders because of torture. Generally they are said to be people who distributed leaflets and provided food and lodging for people who were arranged to do so. "Even while they were arrested, tortured, imprisoned and suffered the hardships of jail, they struggled for the fatherland and people, risking their lives. That was because the Republic of Korea was their homeland, their countrymen and their brothers." This declaration was poignantly appealed over and over. In this way, those families cried out that even though they are being jailed, their human rights must be protected. Even if they were acquitted, who and with what can they be compensated for their loss? We do not cease hoping that the world support will focus on the Kim Chae-kyu case and this "South Korean People's Liberation Front Preparatory Committee Incident." The former is moored in the Supreme Court, and as for the latter, it seems that the first decision will be handed down at the beginning of May.

To continue, we must report on the political situation. The military trend will probably remain as a major negative factor in Korean politics from here on. The Pak regime solidified its power with natives of North and South Kyongsang Provinces. They say that even the three service academies, army, navy and air force, were filled with 50 percent of the students natives of North and South Kyongsang Provinces. Because of this, localism that controls the military and the political power will probably leave a long trail of influence. As for that, it will also boomerang since Kim Tae-chung is a native of Cholla Province but Kim Yong-sam was born in Kyongsang Province. The temptation of that localism is in Kim Yong-sam. Localism is also strongly working among local people. Newspapers have reported that these two promised never to resort to localism, but this too is one of the problems facing the democratization of Korea.

The bereaved family of Pak Chong-hui built a new residence, but they saw stones fly from all directions at night, so Kun-hye, his eldest daughter, sleeps at an acquaintance's house. They say that she is thinking of becoming a Catholic nun. In Korea, if one is regarded as anti-Korean, trouble can even reach one's descendents, and probably nothing can be done about it in Korea.

Although the military and the remnants of the defeated party seem to have made some kind of plans, clearly the people's minds have changed. This is an incident that occurred in some provincial cities; the vice president's positions of the government party, the Democratic Republican Party, have become vacant. But no one wants to fill these positions. On the other hand, 20 people are said to be vying to become the candidate for a National Assembly seat from the opposition party, the New Democratic Party. The farmers made a lot of sacrifices under the Pak regime. Because

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

of this, there was extreme animosity toward the ruling party. This year, too, people who planted garlic and onions based on the recommendations of the agricultural cooperatives are having difficulties because of the abundant harvest. If one walks through the villages, since [these vegetables] have been left to rot, there is a disgusting smell. As for the animosity towards people like Kim Chong-p'il who grew wealthy under the old authority, we do not think that it will ever quiet down. But this does not mean that they trust the New Democratic Party. In the meantime, has not the New Democratic Party been preparing to become the ruling party? What guarantee is there that those party members will act conscientiously from now on? Under the Pak regime politicians were completely corrupt. Even though it is an opposition party, if it enters power, is it not bound to become corrupt...this is unmistakably the people's belief.

Because of this, Kim Tae-chung's insistence that the priority must be placed not on winning the presidential nomination, but on struggle to restore complete democracy, has persuasive power. And the New Democratic Party's insistence for internal reform as an authorized power is also persuasive. If the election were to begin in the midst of such corrupt practices, the NDP might become paralyzed by the money politics. Now, if we examine the three Kim's, we can probably give the following evaluations.

If Kim Chong-p'il seized power, he must try to maintain his power by allying with remnants of the former ruling party. And he might use money and power as the sole means of prolonging the Pak regime. That seems to be the repetition of Sungman Rhee's post-Liberation seizure of power based on the landlords and pro-Japanese group that survived the Japanese rule. Now the people's judgments have matured much more than that period. But the controlling powers over, the military, financial world, bureaucracy, etc., have also greatly grown. In any event, that control probably will go in the direction of suppressing the people again. Because of that, even within the financial world, there is apprehension toward Kim's regency.

In the case of Kim Yong-sam, the citizens do not have faith in his political ability. In order for him to enter the stage, he must become the majority faction in the New Democratic Party, and when that happens undisclosed funds will probably filter into the party. Since he can be supported by that mechanism inside that corrupt party, he probably will not be able to initiate any reform posture, and it will probably be impossible for him to consolidate the power of people's conscience and give hopes for the future to the people. He recently published a book called "There Are No Hills That We Can Depend On." It is rumored that when the book is translated into Japanese he will hold a publication commemorative meeting in Japan and perhaps approach Japanese political powers and enterprises, etc. Many people are already disappointed in learning that he was trying to approach Japan in this manner. Being suspected that this act was aimed at Japanese political funds, he will probably be severely criticized. People in the financial world too are worried that he probably could not steer the economy now confronted with difficulties. Especially, it is observed that he probably cannot completely lead the voices of critical forces, laborers, and others in a democratic structure.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

How about Kim Tae-chung's case? It is observed that he certainly is capable and that he can demonstrate superior ability internationally. He has good image before the people and the world. Compared to anyone else, he is surrounded by intellectuals of conscience. He can probably pursue stability and bring about a reform. He can probably change the constitution of the New Democratic Party. As for the difficulties which he has gone through up to now, they were not only a good test for him, but also he gained the absolute support of many people. But because he has the ability to bring about reform, he is not supported very much by the financial world or by the bureaucracy, and he is especially disliked by Chon Tu-hwan in the military. We do not know but he probably cannot expect the support of Japan, and the American military may not be positive towards him. And in order to suppress Kim Tae-chung's vigorous political activity, the military will not rescind martial law either. This is because the military fear that the absolute support of the people for Kim Tae-chung will grow before the election, and the New Democratic Party will be completely controlled by him. Facing this kind of military under martial law, he rejects meeting with Kim Yong-sam in the New Democratic Party. In the present situation, since the struggle between the two is seen in the eyes of the people as disgraceful antagonism based on political greed, it does not appear as well-intentioned political rivalry. It can be said that the people see him to be too charismatic, but this is the reality. Because of this, it can be said that he must be demythologized in front of the people as a realistic politician.

In financial circles the ability of Kim Tae-chung is recognized. Although he says that he will not take political revenge if he comes to power, they believe that the class which has been privileged so far will be greatly challenged. They are wondering what assurances will there be to mitigate this challenge. Up to now the Yongnam financial clique and enterprises of natives of North and South Kyongsang Provinces were given special privileges, and the Honam financial clique and enterprises of natives of North and South Cholla Provinces have been suppressed. If Kim Tae-chung attains the position of power, there is a worry that there may certainly be a backlash.

COPYRIGHT: Iwanami Shoten 1980

9534

CSO: 4105

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

S. KOREA/ECONOMY

DANGEROUS ECONOMIC SIGNS SAID TO THREATEN GOVERNMENT

Tokyo EKONOMISUTO [ECONOMIST] in Japanese 15 Apr 80 pp 28-32

[Article by Yasuhiro Maeda, MAINICHI SHIMBUN's foreign correspondent:
"Dangerous Economic Signs that Threaten ROK Government"]

[Text] Since 1977, former President Pak vigorously tried to promote the "Fourth Five-Year Plan" in order to bring the Republic of Korea (ROK) to the level of "advanced industrial nations." "Trade expansion" was the core of that policy. At the time of the first oil shock in 1973, a 21.9 percent devaluation of the won was surmounted, and in 1977, a long-cherished 10 billion dollar trade (17th in the world) was realized; these results were flaunted internally and externally; and 12.7 billion dollar trade was achieved in 1978.

In particular, "construction exports" to the Mideast oil-producing countries (amount of construction work orders received) were favorable, and double digit growth was achieved for 3 consecutive years, with the economic growth rate at 14.2 percent in 1976, 10.5 percent in 1977, and 12.5 percent in 1978. This formed the Pak government's "peak period."

However, the ROK economy suddenly darkened in 1979. The forced high-level economic growth policy caused a "distortion phenomenon." The greatest result was inflation that must be described as frenzied. Subsequently, there were sharp rises in wages and higher product costs. In addition to this, dissatisfaction and serious discord were engendered among industrial circles, economists and part of the intelligentsia because the government, not at all recognizing the criticism of the intellectuals and the workers toward economic policy, took stern oppressive measures.

Since the spring of 1979, the successive labor disputes surrounding the bankruptcy and nonpayment of wages involving large firms have suddenly increased the social unrest and are related to mass insurrection centered around the workers in Masan and Pusan. There is a general observation that unexpected political collapse, brought about by Pak's assassination (October 26), was not the result of a power struggle within the administration, but actually it was the result of exposure of various contradictions

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

in policy maintained merely by legal measures. In particular, the economic failure was a big factor. We will examine the major factors why the Korean economy seriously changed for the worse.

First of all, the trade expansion policy really began to collapse after the spring of 1979. Originally, an export target of 15.5 billion dollars was put forth, a 22 percent increase over the previous year, but the actual result stopped at 15.055 billion dollars (an increase of 18.5 percent over the previous year). This was the first time in 4 years that the export target could not be attained. "The proportion that the ROK held in total world export amounts fell from 1.0 percent in 1978 to 0.9 percent." (Foreign Minister Pak Tong-chin) On the other hand, since imports were 20.355 billion dollars, a never before seen large trade deficit of 5.284 billion dollars was recorded.

This exceeded by more than double the 1977 trade deficit of 2.261 billion dollars. Thus far, Korea has filled the trade deficit with a surplus in the balance of trade payments, but "construction exports" to the Mideast, one of these two pillars, began a sudden decline with 2.688 billion dollars as a turning point.

The amount of foreign capital introduced, the second pillar, was 985 million dollars in 1974 and continued to increase to 1.39 billion dollars in 1975; and the total foreign debt at the end of 1978 was 14.771 billion dollars; and because 5.83 billion dollars was brought in the year after, the total amount swelled to 20.61 billion dollars at the end of 1979.

Foreign currency reserves were a mere 15 million dollars in 1974, but reached the level of 492 million dollars in 1975, 1.419 billion dollars in 1976, 1.345 billion dollars in 1977, 5 billion dollars in 1979, and at the end of that year were 5.7 billion dollars. It has been announced at the end of February 1980, they have presently decreased 300 million dollars and are 5.36 billion dollars. Their substance is entirely "debt."

Naturally, the repayment amount has increased each year; 2.121 billion dollars was paid in 1978 and 2.69 billion dollars in 1979. This year, the principal and interest amount that must be paid is 2.951 billion dollars. An itemization of this is: principal on long-term loans for more than a 3-year period was 1.243 billion dollars; the interest was 1.29 billion dollars--totaling 2.533 billion dollars--and the principal and interest for the medium-term loan was 372 million dollars.

Thus, factors contributing to the export slump, which increased the trade deficit and brought about a sudden surge of foreign capital, as mentioned earlier, were high inflation and wage hikes.

Prices, which jumped suddenly with the first oil shock, peaked, going up 25.3 percent in 1975 over the previous year (consumer prices), fell to the

FOR OFFICIAL USE ONLY

10 percent level in 1976 and 1977, and turned to an upswing again in 1978. The Korean people, prompted by an exchange of money-to-goods psychology, hoarded daily necessities and ran to speculate in land and real estate. Inflation accelerated all the more. On account of this, the cry to increase workers' wages grew stronger, and enterprises which gave annual wage hikes of more than 35-40 percent increased. The rise in wages was not limited to certain prosperous industries connected with exports but also to domestic consumption industries with low productivity. The result was that Korea's international competitive power weakened.

Even in the surveys of the Korean Trade Promotion Agency, Korea's export expansion rate was 19.5 percent last year compared to the previous year, and was considerably inferior to the 27 percent increase of Taiwan, Hong Kong's 42 percent and Singapore's 33.1 percent. The effect was that export competitiveness of light industrial products, such as clothing and footwear, as well as labor intensive electrical appliances and electronic products followed a course of decline. In particular, the ROK has exported 16.1 billion dollars last year but a gap [in competitiveness] in trade with Taiwan, whose annual price increases of goods have been checked to about 10 percent, has widened.

Because the Fourth Five-Year Plan of the Pak government made the nurturing of heavy and chemical industries as a priority, it could not avoid sudden increased imports of plants and various machinery.

Japan is Korea's biggest importer; the amount of Japanese imports in total ROK trade has increased--25.3 percent in 1976, 36.3 percent in 1977 and 39.9 percent in 1978. The amount of Korea's deficit with Japan has become enormous, 1.297 billion dollars in 1976, 1.778 billion dollars in 1977, 3.354 billion dollars in 1978, and nearly the same level in 1979, 3.337 billion dollars. This occupies 65 percent of Korea's entire 5.08 billion dollar trade deficit. Moreover, the result of these figures is that the Korean Government has earnestly dispersed import priorities to other countries.

When the contents of imports with Japan are looked at, machinery occupies more than half, followed by raw materials for industry and metal goods. Japan has scarcely made inroads into Korea with industrial products, such as automobiles, cameras and electrical appliances for which it has been criticized by Europe and the United States of exporting like a localized torrential downpour. On the other hand, because the core of Korea's exports are the products of primary industries and light industrial products, the faster Korea industrializes in heavy industry, the stronger its lean toward Japan as the primary supplier country of capital goods and raw materials.

At the end of 1977, Nam Tok-u, deputy minister and minister of the Economic Planning Board, who was of the faction promoting high level growth, was reshuffled and Sin Hyon-hwak (minister of health and social affairs) took

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

the position. It is said that the reason President Pak appointed Sin, who is the most knowledgeable about economics of those in the political world, was because he decided to try to modify toward stable growth line of Sin, who asserted that "the economy must be natural, like flowing water. Actually, it is said that Deputy Minister Sin pressed President Pak for a re-examination of measures which hold fast to the heavy and chemical industries to improve the Korean economy through tight money policy.

Deputy Minister Sin first embarked on controlling inflation through tight money, and with that, the export industry, the plutocratic firms which until now had grown up under the leverage of special low interest export financing, received a big blow. In the spring of 1979, Yulsan Industry, the castle gate of the trading firms, carried a debt of 400 billion won and became bankrupt. Nevertheless, Deputy Minister Sin strengthened the financing control policy, but there was an "economic coup d'etat" in June of that year during his absence when he was attending a conference of creditor countries in Paris. Special financing in the total amount of 300 billion won was given to the plutocracy, especially to the heavy and chemical industry group, which was suffering financial difficulty. Notwithstanding the fact is before any move was made after getting resistance from the large enterprises, even though there was a need for change, the government's high level growth policy met catastrophe in the fall.

Economic Regulation Urged

President Choe Kyu-ha, who appeared on the scene after the incident of President Pak's assassination, had "economic readjustment" in mind as the most pressing need. When he promoted Sin to premier, he made Yi Han-pin, who is known as an economist, his successor at the same time and entrusted the change of rudder to him. But, it can be said that the shift from high level growth to stable growth is a problem; and it can be said that the Korean economy itself is in the situation of having to "increase the pie" even more. It is clear to everyone that a slowdown in economic growth will not be so simple because it will immediately cause the Korean people's level of living to drop on the whole. That is a feat analogous to putting on the brakes while traveling at high speed.

Severe inflation and a second oil shock have plagued the Choe government. Due to an average 59 percent rise in various oil prices on 10 July of last year, the wholesale price increase rate, which had been at an 11 percent level until that time, went up 23.8 percent by the end of the year, compared to the previous year, and consumer prices also reached the level of 13.3 percent--this signified an increase rate of 22.2 percent in one stroke. Because of this, in the government's decision on the "economic growth target" for 1980, a big controversy has evolved on where to place the greatest emphasis--on carrying out inflation control as the main priority or on maintaining the growth rate.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

The shocking forecast has emerged that, in a policy to control inflation as the priority, if the rate of price-increase can be controlled at an annual rate of 15 percent, then exports would be a little under 15 billion dollars, unemployment would increase and the growth rate would fall to between zero and 1 percent.

If the growth policy is taken, it is unavoidable that a devaluation of the won would be carried out and the annual rate of price increases would be more than 30 percent. When that happens, exports would go up to the level of 17 billion dollars. There is the possibility that the rise in wages would go up 20 percent annually and a 4 percent growth rate could be maintained. However, the unemployment rate would worsen to more than 4.9 percent.

In the end the Choe government devalued the won 19.8 percent, from the previous 484 won to the dollar to 580 won, at the beginning of the year on 12 January. At the same time, in order to mobilize domestic capital, it raised respectively by large margins the interest on bank deposits to a high 24 percent per annum and interest on general loans to the same 24.5 percent. These two measures signify that the government abandoned the price regulation policy. On 29 January, the government raised the price of oil, such as gasoline, an average 59.4 percent and electric rates an average 25.9 percent after 1 February. Regular gasoline that was 270 won per liter (one won is about 0.4 yen) rose to 580 won; this had a great influence on the lives of the citizens. Public utility charges rose everywhere--first of all, at the end of 1979, taxifares rose 33 percent, and fares of city buses, express buses, subways, airlines, 30 percent; and from 1 January, railroads, 20 percent; postal service, 60 percent, telephone, 48.3 percent. Price increases for daily necessities, such as grain, fish meat and cooking oil, were enormous.

In the beginning, the Korean Economic Planning Board hypothesized a 27 percent increase in wholesale prices this year and a 23 percent rate of increase in consumer prices. However, due to the simultaneous price rises that began at the end of January, wholesale prices have continued a phenomenal rise. On 15 February, the rate of increase in wholesale prices, which was 2.3 percent in January, had a sudden increase totaling 17.5 percent since the beginning of the year; and on 3 March, it reached 21.1 percent. It is expected that the record immediately following the second oil shock will be renewed, and as it stands, the increase rate will reach the 50 percent level at the end of the year.

Besides a devaluation of the won after a 5-year interval, the fixed system of the won to dollar was discontinued and changed to a floating system, founded on "basket calculation with multiple currencies" after 25 February. With that, the won began to float, and it is expected that the value of the won will further depreciate by more than 5 percent annually, falling from 580 won to the dollar at the time of the devaluation to 600 won to the dollar by the end of the year. Previously, it has had a market price of 650 won on the dollar blackmarket.

FOR OFFICIAL USE ONLY

Controversial Points on Trade

According to the Korean Economic Planning Board's report on the newest economic trends, exports for January-February of this year are showing signs of "some improvement" at 2.314 billion dollars (a 25.8 percent increase compared to the same period of the previous year), but since imports were 3.373 billion dollars, the trade deficit is already 1 billion dollars. Exports of iron and steel, ships and of the heavy and chemical industries, such as fertilizer, are said to be favorable. There is also a strong opinion that in the end there may temporarily be a favorable turn of events, such as the growth rate of exported materials will stop at 13 percent and there would be [a feeling] that an export drive was essential because of the raw material stockpile acquired before the won devaluation and because of financial regulations to tighten the money supply. [KYONGHYANG SINMUN]

On 4 March, Korea's Ministry of Commerce and Industry made public a policy of expanding the original trade target of 17 billion dollars to 18 billion dollars. Because "international competitive power was restored with the won devaluation" and 44 percent of the exports have been achieved in the first half of the normal year and 56 percent in the last half, the 18 billion dollars is certain if 8.5 billion dollars of goods are exported from January through June this year. There is a strong belief that the export target was raised to 1 billion dollars at the beginning of March because of the fear that imports would increase still more and be more than 23 billion dollars, and therefore the government could not help but revise the figures upward.

With regard to the effect of the won devaluation, there were advantages and disadvantages for industrial circles collectively, and it is said that the outlook is gloomy until after the first half of the year. It is the view of every local newspaper that, by industrial sector, iron and steel face a "crisis," petrochemicals a "deterioration," trading firms an "embarrassment," automobiles "slight expectations," shipbuilding "more or less as expected," the tourist industry "greater than expectations"; although the number of orders for overseas construction work increased for the construction industry, the domestic situation has deteriorated, and thus it has become complicated.

On the other hand, a negative effect of the devaluation was a sudden increase in goods. When export-import price trends are looked at (Bank of Korea), prices of exported goods at the beginning of this year have risen 10 percent, based on the end of last year. Although this is a distressing slow-down compared to the previous year's rate of increase (21.7 percent), import prices went up 35.8 percent, the highest increase recorded since 1973. This is because prices for oil, pulpwood and chemical products, which Korea needs, had even steeper rises in contrast to prices of textiles, which are Korea's main export product, did not rise due to the slump in Japan and the U.S. economy and the rise in import regulations.

FOR OFFICIAL USE ONLY

The original forecast for this year's import volume was 22 billion dollars (20.339 billion dollars last year), but there is no chance whatever of realizing an increase of approximately 1.6 billion dollars (an 8 percent increase). Even in the government's audit at the beginning of this year, it seems that crude oil imports will not fall below 7 billion dollars. Last year's crude oil import was 3.14 billion dollars (a 41.7 percent increase compared to that of 1978) and it does not seem that a more than 2.5 fold increase in expenditures can be avoided. Furthermore, there does not seem to be any hope that imports of foodstuffs which climbed to 960 million dollars last year (a 67 percent increase over 1978) will decline. Even this year due to higher standards of living, increases are expected in imports of wheat and meat; in addition, Korea has agreed to import 570,000 tons of rice from the United States and Japan.

The biggest import problem is the growing difficulty of securing crude oil supplies while there are steep jumps in prices. Yang Yun-se, minister of energy and resources, toured various Mideast nations in mid-March, but he merely secured the amount for the first half of this year. The amount of Korea's crude oil reserves is said to be 1-day's supply, and purchases of very high-priced spot market are continuing. The economists in Seoul have made a gloomy prediction that the belated crude oil diplomacy will resound in a slowdown in production activity.

Economic circles are distressed by the tightening of capital due to the large-scale increase in interest, even though the won was devalued. For the present, industries connected with exports, which depended on export financing with low annual interest rate of 9 percent, have not forgotten that sweet taste, and, in desperation, are pressuring the government "for that dream once again." On the other hand, the credit difficulties of small-to-medium sized enterprises are said to be "unprecedented," and interest on private loans, peculiar to Korea (credit loaned at high interest in the cities), of more than 6 percent per month is common. Even at that interest, it is difficult to borrow.

The number of bankrupt enterprises reached 27 just during the last 3 months of 1979, and this year, the number has been even more remarkable since the end of January. According to the Korean Chamber of Commerce's figure (26 February), in Taegu, a large city where textile plants are concentrated, there were 138 companies that went bankrupt in January (a 178 percent increase compared to the same month last year), enterprises with curtailed operations numbered 527, a 35-fold increase. The types of industries where there are many bankruptcies are textiles, machinery and chemicals--in that order. In Masan, where many Japanese enterprises have set up, the January rate of plant slowdowns was 80.6 percent, a decrease of 5.1 percent compared to the same period last year. The primary reasons for these bankruptcies and slowdowns are the great insufficiency of working capital, and secondly, the sales slump and the difficulty of securing raw materials.

FOR OFFICIAL USE ONLY

The unemployment rate is a concern. According to a statement from the Economic Planning Board (4 March), it was 3.2 percent in 1978; in actual numbers, 442,000 people. In 1979, it rapidly increased to 3.8 percent or 542,000 people, and this year's estimate is that there will be a large group of unemployed in excess of 792,000, 5.3 percent. In a report on economic trends, attempts will be made to decrease it to a 4.3 percent level (650,000).

However, in Korean statistics it is not regarded as unemployment if one works even 1 hour per week. Because of that, when the figures shown in the statistics are looked at, it cannot be said that it is lower than the unemployment rate of various advanced nations. However, there are scholars who presume that there regularly exist a group of unemployed, easily exceeding 1 million and that it is upwards of 10 percent of the total 79 million workers.

Even in the Korean Managers Association's investigations, among the affiliated enterprises, 53 percent of them say that they will postpone hiring new employees this spring, and there is apprehension that the overall number of new employees may not even be 46 percent of last spring's figure.

Besides this, farmers, who have thrown away their land and given up farming, have increased; and it seems that the worker population flowing into the cities will not drop below 400,000. The number of farmers who gave up farming in 1978 was 781,000, and there were 644,000 in 1979 (Ministry of Agriculture and Fisheries' report). This is because farm revenues and expenditures greatly deteriorated with the sudden price increases. Tenant farming markedly increased due to land speculation by large enterprises and has already reached 30 percent of all farmers. The ruin of farm villages stands out prominently. It is expected that rather large numbers of farmers will be made potentially unemployed.

As part of the relief measures for the unemployed, the Korean Government is following a line of enticing investment by foreigners who for a time tended to flee because of the assassination of the president. Investment stipulations are being relaxed on a large scale, such as enlarging the limits for enterprises with 100 percent foreign investments; various countries are being approached with the aim of introducing 130 million dollars during the course of this year. Investments of 56 million dollars have already been authorized.

Korea received foreign investments of 1.073 billion dollars in 863 instances during the 18-year period beginning in 1962. During that time, Japan led with 587.6 million dollars. That amounts to 56 percent of the total (twice the 20.3 percent of the United States). Since large-scale investment applications from Europe and America have increased since February, it seems the target amount can be sufficiently attained.

FOR OFFICIAL USE ONLY

Nevertheless, there are indications that essential Japanese investments in Korea have moved to Singapore, Thailand, Taiwan and Hong Kong since the end of 1979, as the advantage of Korea's low wages faded. The withdrawal of Honda Institute, autobike producer, and of small to medium-sized joint enterprises from the Masan automobile export manufacturing district appeared in succession during 1979. And Matsushita Electrical Industrial Co, Ltd, dissolved its merger (25 March). On the other hand, the separation of Japanese investments from Korea became conspicuous with the decision of Nissan Motor Co, Ltd to move to Taiwan.

Considering the necessity of introducing long-term foreign investment this year, a minimum of 7 billion dollars, the Korean Government requested that they would like this year's general meeting of the International Economic Conference on Korea, organized by the International Financing Agency, to be moved up 5 months and to be held in June. Korea plans to request a loan grant of 4.5 billion dollars (3 billion for public facilities; 1.5 billion for commercial) at this general meeting. Both are to compensate the trade balance deficit which is calculated to reach 6 billion dollars. Parallel to this, Deputy Minister Yi Han-pin was dispatched to the United States in February, and besides taking possession of a loan of 1.2 billion dollars for primary facilities as a starter, he received authorization to get 840 million dollars from the International Monetary Fund as standby credit.

During his 18 and one-half year-long government, former President Pak tenaciously devoted himself to open up a great lead over the Democratic People's Republic of Korea in both military and economic aspects. The measures taken because of that were the policy making national security the highest priority and the policy on high level economic growth.

The result achieved was that many Koreans approved domestic development of various weapons and the attainment of 10 billion dollars in exports (1977), but the means and procedures were too "coercive," and the kind of government leadership came to the forefront; and the backlash against this "controlled economy of a totalitarian state" from economic circles and financial circles increased each year. Also, workers' dissatisfaction with the government grew after 1971 since the right to unionize and the collective bargaining right were not recognized in the "special law on national defense."

Former President Pak hurried up the execution of defense expenditures for the completion of national defense power, and established such taxes as the defense tax (1976) and the value added tax (1977). This made the people's burden heavier and was a major cause of the sudden rise in the price of commodities. On account of this, economic staff moved from the Nam Tok-u line to the Sin Hyon-hwak line and an attempt was made to modify the route from "growth" to "stability."

Clamor for Democratization

The Choe-Sin combination started to work out "comprehensive measures for economic stability." The four supports were made: 1. increasing the

FOR OFFICIAL USE ONLY

supply of goods necessary for life; 2. strengthening the tightening of credit; 3. deferment of large-scale investments in the heavy and chemical industries, or, control through curtailment, and 4. shrinking fiscal expenditures. It was a change in direction already long lost for the Pak government which had fallen into wholehearted support for growth.

Basically, for the Choe-Sin combination, who had taken over the Pak government's economic policies, there was nothing left in the spring of 1979 but the route of vigorously promoting the "comprehensive policy on economic stability."

They mobilized the organization of the KCIA and that of the public peace authorities and differed from President Pak who had suppressed the people's opposition with the Emergency Decree No 9 (promulgated in May 1975, rescinded on 8 December 1979). The Choe-Sin government shoulders the responsibility of pushing for "democratization," though in stages, and it cannot be denied that there is a sense of a lack of power to accomplish this policy.

Granting there is cooperation from economic technocrats and industrial circles, negative factors are piling up regarding exports and the securing of raw materials; and a disposition for improvement, such as in strengthening and nurturing the weak domestic industries over a short period of time, does not seem to be materializing.

The problematical defense expenditures have reached 37 percent of total annual expenditures and reconstruction of the economy has been made difficult. There has been a 180 degree turnaround from the Pak period, which tried to carry out its plans in an autocratic style, since public consensus had no influence even though a liberal economy system was professed; the path to managing an economy which puts the people's lives at its center seems to be steep.

Likewise, since the presidential assassination incident, the Martial Law Headquarters promulgated a strict prepublication censorship system of all sorts of news, and has intensified its vigil, in particular, not recognizing any reports except those statistical figures published by the agency and certainly those that criticized the economic policies of the Choe government. On account of this, a clamor for democratization of the economy has arisen among financial circles and industrial circles, but silence intensified in the presence of the military; the administration of the economy was forced to remain basically the same as before the "26 October incident" (President Pak's murder).

COPYRIGHT: Mainichi Shimbunsha 1980

9400
CSO: 4105

FOR OFFICIAL USE ONLY

N. KOREA/FOREIGN TRADE

BRIEFS

JAPAN EXPORTS KRAFT PAPER--A group of Japanese paper-pulp companies, led by Oji Paper Co. and Daishowa Paper Mfg. Co., plans to export 15,000 tons of kraft papers for heavy-duty bags (unglazed) to North Korea in April-September. Including unfulfilled exports, the projected six-month sales will account for nearly 70 per cent of Japan's exports to the country last year. Although Japanese firms face no surplus production capacity from a raw material shortage, they have agreed to export at the domestic shipment price. Korea was a major client during the industry's slump in the past. The firms recently concluded a deal to sell 6,000 tons of kraft papers to be produced in March-June. They at the same time replied to North Korea that it would be possible to export about 9,000 tons in May-September. North Korea is preoccupied with securing kraft papers for cement bags. It strongly asked Japan to sell as its imports from Nordic countries are difficult. It appears certain that exports of about 9,000 tons for May-September will materialize. Of the contract for March-June, 1,500 tons have been already exported. [Text] [Tokyo THE JAPAN ECONOMIC JOURNAL in English 6 May 80 p 6]

CSO: 4120

END

FOR OFFICIAL USE ONLY